



## MARKET ANNOUNCEMENT

### QBE INSURANCE GROUP LIMITED

#### QBE ANNOUNCES A RECORD FIRST HALF YEAR PROFIT, UP 19%

The Board of QBE Insurance Group is pleased to announce a record profit after tax for the half year ended 30 June 2009 of A\$1,018 million, up 19%. The profit has been achieved despite volatile investment markets and economic conditions arising from the global financial crisis.

In view of the first half profit, the directors have declared an increased interim dividend of 62 cents, up from 61 cents for the same period last year. The dividend payout is up 16% to A\$628 million due to the additional shares issued from the A\$2.1 billion raised in December 2008 and January 2009. The dividend is 20% franked. The record date is 1 September 2009. The dividend bonus share plan and the dividend reinvestment plan continue at a 2.5% discount.

Profit included the following five large items related to the global financial crisis (which saw, in particular, official interest rates reduced to their lowest level for nearly 50 years, a significant fall in equity markets, rating downgrades of a number of counterparties, large movements in various currencies and an abnormal increase in the frequency of trade credit and other credit related insurance claims):

- additional incurred claims of A\$145 million on trade credit and other credit related insurance policies;
- realised and unrealised losses on equities of A\$144 million compared with a loss of A\$86 million for the same period last year;
- lower interest yields reduced investment income by A\$115 million compared with the same period last year;
- net foreign exchange gains of A\$282 million compared with a gain of A\$8 million for the same period last year; and
- profit of A\$66 million on the further repurchase of QBE debt securities.

Gross written premium was up 22% to A\$8,057 million and net earned premium was up 21% to A\$6,186 million. Growth was assisted by the lower average Australian dollar compared with the same period last year, acquisitions made in 2008 and overall average premium rate increases of 4%. The combined operating ratio, that is the ratio of claims, commission and expenses to net earned premium, was 89.3%. The insurance profit margin was at the upper end of our 2009 target range at 17.5% of net earned premium. The combined operating ratio for the Americas was 86.6%, Australia 87.7%, Asia Pacific 89.0% and Europe 89.9%.

Mr Frank O'Halloran, QBE Group Chief Executive Officer, said "the strong underwriting profits from our four insurance divisions, together with overall average premium rate increases of around 4% and the expectation of higher interest rates as economic conditions improve, give us confidence about the outlook for the insurance profit margin going forward. Our outlook is subject to the usual caveats, in particular, no material movement in the Australian dollar against overseas currencies and large individual risk and catastrophe claims not exceeding those experienced in recent years." He added "higher interest rates on our A\$24 billion of high quality, short duration cash and fixed interest investments will also benefit our capital adequacy. This, and our low debt levels and strong capital position, provide considerable flexibility to convert further bolt on acquisitions."

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